

VZCZCXRO0774  
PP RUEHMA RUEHPA  
DE RUEHUJA #2486/01 3541250  
ZNR UUUUU ZZH  
P 191250Z DEC 08  
FM AMEMBASSY ABUJA  
TO RUEHC/SECSTATE WASHDC PRIORITY 4762  
INFO RUEHOS/AMCONSUL LAGOS 0487  
RUEHZK/ECOWAS COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHRC/DEPT OF AGRICULTURE WASHDC

UNCLAS SECTION 01 OF 03 ABUJA 002486

SENSITIVE  
SIPDIS

DEPARTMENT FOR EE/TPP/ABT/ATP SPECK  
DEPT PASS TO USTR-AGAMA  
TREASURY FOR PETERS AND HALL  
DOC FOR 3317/ITA/OA/KBURRESS AND 3130/USFC/OIO/ ANESA/DHARRIS  
USAID/AFR/WA FOR TWAY, USAID/AFR/SD JHILL, AND USAID/EGAT MOTT  
USDA/FAS FOR SIMMONS AND MCKINNELL

E.O. 12958: N/A  
TAGS: [EAGR](#) [ECON](#) [ETRD](#) [EAID](#) [EFIN](#) [PGOV](#) [NI](#)  
SUBJECT: NIGERIA: AGRIBUSINESS CLIMATE IN NIGERIA

¶1. (SBU) Summary: In November, the USAID contractor Booz Allen Hamilton (BAH), conducted a survey on the agricultural business climate in Nigeria focusing on agribusiness, trade, access to credit and property. What they found is that poor infrastructure in the country contributes to increased business costs. Further more, the government develops unpredictable policies and poorly implements others, which damages investors' confidence. Lack of and access to information and regulations tends to be uneven and unreliable. Despite these constraints, the team concluded that there are abundant opportunities for expanding agribusiness by increasing access to finance, improving information dissemination, improving policy and regulatory environment as well as strengthening institutions and enhancing political will power. The final draft of the USAID/BAH report will be available in 2009. End Summary.

¶2. (SBU) BAH consultants talked to officials in the private, public and donor community, reviewed laws and policies and completed a survey on the agricultural business climate. The assessment was centered on the agriculture sector, more specifically looking at areas of agribusiness, trade, access to credit and property. The following paragraphs are highlights of their findings. The official report will come at the beginning of 2009.

#### Agribusiness

¶3. (SBU) Infrastructure remains a serious issue for agricultural competitiveness, specifically lack of rail and reliable rural road transportation and reliable power sources. Transport costs play a particularly important role in staple crop competitiveness. The lack of reliable and affordable power is a major constraint to agroprocessing and pumps for irrigation.

¶4. (SBU) Farm productivity and competitiveness is hampered by both poor quality seeds that generate higher productivity and are pest and disease resistant and very poor access to fertilizers resulting from challenging policies and high prices. The seed market has a history of limited oversight, poor quality and low farmer adaptation.

¶5. (SBU) While there are many skilled farmers and businessmen, overall management skills appear to be a constraint within the agribusiness sector, particularly for medium-scale commercial farming operations and food processing ventures. There is a need for a greater number of skilled agribusiness owner and managers.

¶6. (SBU) Improving efficient access to consumer markets within the country - supermarkets, wholesale and distribution - is crucial to enhance agribusiness investment. A focus on the significant

Nigerian consumer markets will drive interest and investments in the overall domestic and regional agricultural value chain. This, combined with enhanced on-farm productivity through the application of science and technology, will expand the sector's ability to feed the region.

#### Trade

-----

¶17. (SBU) Import/export processes are cumbersome, costly and inefficient, and the rate of examination by customs officers (70%) of goods moving through ports and border crossings are the highest in the region. The lack of transparency, predictability and coordination in the import/export process are coupled with excessive documentation requirements.

¶18. (SBU) Modern information technology (IT) systems within Customs are lacking leaving the customs processing in disarray and less efficient. The Government of Nigeria (GON) has launched new efforts to adopt modern processes and practices, but these needs to be accelerated. Customs has delegated their role to value, classify, and determine the level of inspection to a private customs service provider; however the private run system is fraught with inefficiencies and opportunities for rent seeking with limited oversight from the Customs officials.

¶19. (SBU) The relationship between public border agencies, port and private stakeholders is not productive, and consultation is infrequent and not formalized. In the past, there has been limited willingness to reform the customs process, although there are some encouraging policies that have been set to speed up transit time in the ports.

ABUJA 00002486 002 OF 003

¶10. (SBU) Conditions at Apapa port are poor, and the 30% reduction in cost and improved efficiencies projected as result of the private takeover of terminal operations have not been realized. It takes an average of 28 days to unload from the port until goods depart to the market. Many traders are using the neighboring Benin port where charges are 50% less and processing time is faster.

#### Access to Credit

-----

¶11. (SBU) The overall banking sector is fairly sound and is expanding rapidly. This rapid expansion remains a concern as the capacity of the Central Bank (CBN) is already stretched, and their regulatory framework and procedures are still developing. Increased capacity and technical skills at the CBN are needed to accommodate the rapidly expanding banking sector.

¶12. (SBU) Better access and basic understanding of agricultural lending is needed for most banks, although there are some banks that are expanding lending to the sector. Furthermore, banks need basic tools to limit lending risks such as: credit bureaus (the CBN just released guidelines and is accepting license applications); modern secured transactions law with electronic registry; condominium law; warehouse receipts system; and modern leasing law (which will rely on the modern registry).

¶13. (SBU) Microfinance banks (MFBs) are weak, but are the ideal vehicle to service rural and agricultural areas. The MFBs should be targeted for training on agricultural lending. At the same time, farmers should be encouraged to form cooperatives as a means to give greater borrowing power to small farmers. Finally, the CBN needs even greater capacity in oversight of rapidly expanding microfinance banks.

#### Property

-----

¶14. (SBU) Most agricultural land is held by small holders under customary ownership. The process for transferring customary ownership to statutory (titled) ownership is quite long and requires dedication and time to complete. Few small holders have the

knowledge or ability to complete the process from the local up to the state level. Accordingly, few have the opportunity to use their land as collateral for loans.

¶15. (SBU) Under either titled or customary ownership, the state can decide to use the land for public purpose, which can include relocating a settlement to provide the land for industry investment, but adequate compensation is required. Land that is under customary ownership appears in reality to be less secure than land under titled ownership, although this is not reflected under the policy.

¶16. (SBU) Agribusiness and other investors are quite secure in their land ownership and, in the North, they do not have many problems in acquiring additional land as necessary. However, land security and acquisition is purportedly more challenging in the South where population pressures on the land are greater and the land policies differ. In land case disputes, most are handled adequately on the local level through mediation with local leaders, while land disputes that must go to court can take years to resolve.

Issues for reforms

¶17. (U) After a USAID/BAH roundtable discussion with the Nigerian public and private sector, the following issues were presented by stakeholders as the most pressing issues for reforms.

¶18. (U) Priorities for reforms in the area of trading across borders are:

- Reduced transit times and costs of goods.
- Improved policy and regulator environment for agriculture seeds and fertilizer.
- Continued reform and stability in the policies and regulations related to tariffs and import bans.
- Strengthen institutions and streamline agencies such as the National Agency for Food and Drug Administration and Control (NAFDAC), and Consumer Protection Council (CPC).
- Greater capacity to develop fact based analysis of agriculture policies and strategies.

ABUJA 00002486 003 OF 003

- Build capacity to establish international standards: training, skill acquisition, and risk analysis.
- Enhance public-private partnerships.
- Encourage the use of computer program ASACUDA 3.0 (++) and extend to all port terminals.
- Fully integrate ASACUDA mechanism into export trade/transactions.
- Review service charges.
- Make operational inland container terminals.
- Integrate the informal trading sector.
- Create benchmarking for product lines in Nigeria.

¶19. (SBU) Priorities to significantly expand agribusiness are:

- Improved application of science and technology to increase production to meet market demand.
- Increased access to finance/credit access, including storage and inputs.
- Development of promising value chain and formation of business linkages and clusters for staple crops.
- Improved information dissemination about markets and prices.
- Political willpower to enhance policies and increase investments favorable to private sector led growth of the agriculture sector.

¶20. (SBU) A final draft of the USAID/BAH report on agribusiness findings and recommendation for way forward will be made public at the beginning of 2009. Consultations with the GON, donors, and the private sector will be held in Nigeria to validate key findings and help establish priorities for action. USAID will use these findings to develop an active program to address agriculture trade, transportation reforms, and agriculture policy in support of Nigeria's development of a Comprehensive African Agriculture Development Program (CAADP) action plan for Nigeria. The follow up program will accelerate the implementation of the US Global Food Security Response program in Nigeria.

121. (U) This message was coordinated with ConGen Lagos.

SANDERS